

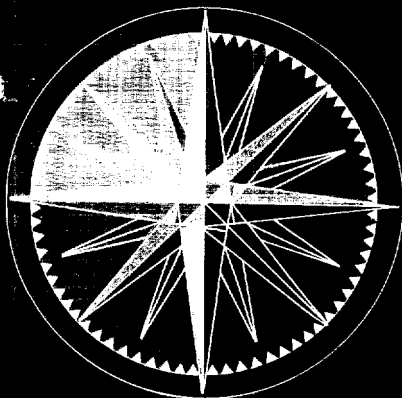
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SPECIAL REPORT

THE SOVIET UNION AND EGYPT

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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THE SOVIET UNION AND EGYPT

Khrushchev's visit to Egypt--beginning on 9 May--to inaugurate the first stage of the Aswan High Dam appears intended to dramatize the role of Soviet aid in Egypt's development and to reaffirm Moscow's continuing policy of cooperation with the underdeveloped states. While divergencies in Soviet and Egyptian policies in the Middle East led to sharp propaganda clashes in the late 1950s and early 1960s, relations between the two countries have since stabilized into a pattern in which Moscow both understands and respects Cairo's interests in the Middle East and Africa. While Khrushchev will probably promise new credits during his visit, Moscow probably does not expect any significant political gains from this action. Rather, Moscow will continue to regard its assistance to Egypt as part of an effort to extend Soviet influence and prestige throughout the underdeveloped world, despite the present limitations imposed by Nasir.

Background to Present
Soviet-Egyptian Relationship

Spectacular improvements in Soviet-Egyptian relations in the mid-1950s were the result of a temporary congruence of interests between the two countries. Nasir's concern over the development of a Western-oriented alliance system in the Middle East and his desire to fix sharp limits on Western influence in the area coincided directly with Soviet objectives, and led first to arms and then to economic aid arrangements between the two countries. The Suez affair of 1956 and the Syrian crisis of 1957 enabled Moscow to demonstrate its support of Nasir and his policies and gave the impression of an identity of views that would

lead to increasingly close cooperation in the Middle East.

Moscow quickly adjusted to the union of Syria with Egypt in the United Arab Republic in early 1958. Moscow even tolerated Nasir's neutralization of the Syrian Communist Party, which had become an increasingly powerful force in the last months before the UAR was formed. However, Moscow's patience ended the following December when Nasir began his severe repression of the Communist parties in both Egypt and Syria.

During the winter and spring of 1959 Moscow issued increasingly venomous propaganda attacks against the UAR but carefully avoided any other form of pressure. Despite the intensity of Nasir's

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anti-Communist campaign, it became clear that the Soviet Union would not allow political or ideological differences to affect the cooperation that carried with it the prospect of greater influence in this important area.

While the Soviet propaganda campaign at this time was directed at Nasir's suppression of Communists, Moscow's motives for the attack stemmed also in large part from the conflict inherent in Soviet support for both Nasir and the rival Qasim regime in Iraq. The Iraqi Communist Party's rapid gains in strength and influence after Qasim's seizure of power in mid-1958 increased Nasir's resolve to repress the Syrian party to prevent a possible defection of Syria to Iraq. Moscow could well have regarded the situation in Iraq as more promising for its interests in the long run. Nasir on the other hand had demonstrated his ability both to consolidate his power in the UAR and to play West off against East. Moscow therefore, realizing that its verbal attacks had very little effect on Nasir, set out in mid-1959 to repair the damage these had caused to Soviet-Egyptian relations.

However, in late 1960, Moscow again attempted to induce Cairo to curtail its anti-Communist activities, probably because of growing sensitivity to the Chinese challenge to Soviet leadership of the world Communist movement. The USSR began

the campaign with an article in the World Marxist Review of December 1960 condemning the "reign of terror" in the UAR which surpassed "the horrors of the Inquisition." This campaign included a harsh lecture by Khrushchev to a UAR parliamentary delegation in late April 1961 and an oblique warning to the UAR in the Soviet press not to "cut down the tree that gives you shade."

Along with the need to take up the cause of local Communists to blunt the Chinese challenge, a further motivation for Soviet attacks at this time may have been the growing divergence of Moscow's and Cairo's political interests. The continuing Soviet attacks at this time on Nasir's formulation of "Arab socialism" suggest a concern that the successful implementation of such a program would blunt the appeal of the reformist and economic program of the Middle Eastern Communist parties.

Moscow's Congo policy created another problem. Although the UAR supported the ill-fated leftist Premier Lumumba, it pursued its own policy in the Congo and failed to back Soviet attacks on the UN operation and on Secretary General Hammarskjold. Moreover, it appears that the UAR was instrumental in developing the independent Congo policy pursued by the so-called Casablanca powers--Algeria, Ghana, Guinea, Mali, Morocco, and the UAR--at their meeting in early 1961.

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Additional evidence of the extent of UAR ambitions and independence was revealed both before and at the nonaligned conference in Belgrade in September 1961.

Soviet Aid to Egypt

Even at the height of its attacks on the UAR, Moscow maintained its aid program and indicated that despite political differences it sought to strengthen its cooperation with Nasir.

During his visit, Khrushchev undoubtedly will call attention to the physical accomplishments of Soviet aid to Egypt. He will also stress the contribution to Egypt's future made by the \$100 million spent on the initial stage of the Aswan Dam and note the importance to Egypt's economic development program of continued Soviet assistance for other industrial projects. He is likely to announce major new aid for Egypt's second five-year plan scheduled to begin in July 1965, thus continuing Moscow's close identification with Egypt's economic development.

The Aswan Dam

Moscow to date has provided about \$580 million in economic credits, of which about \$350 million is earmarked for the Aswan Dam. The first stage

of the dam--involving chiefly the construction of cofferdams and diversion tunnels--is nearing completion, and the Nile River will be diverted through the tunnels sometime this month.

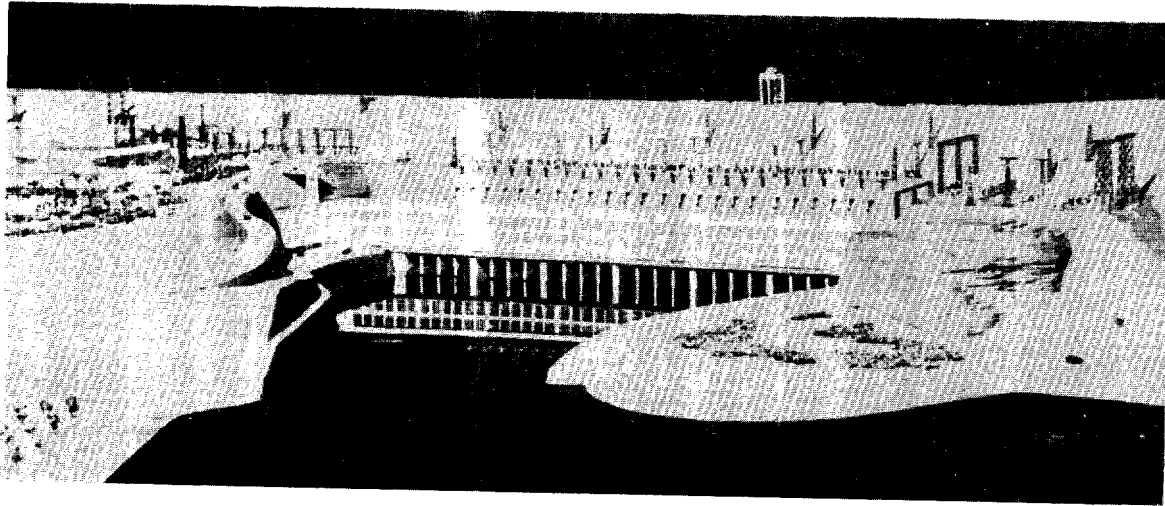
At this point real benefits will begin to accrue to Egypt. The diversion of the Nile waters will permit several hundred thousand acres of new land to be brought into cultivation. There will also be more efficient irrigation of existing agricultural land, better regulation of the water supply for rice production, and more effective flood protection. Ultimately, more than a million acres of new land will go into agricultural production, increasing Egypt's total arable acreage by one third. The dam complex also will greatly expand the supply of hydroelectric power.

Construction of the high dam itself will begin this year with completion scheduled for 1968. The hydroelectric power plant--designed for ultimate installation of 12 main generating units, each with a capacity of 175 megawatts--is already under construction. The first three generating units are to be installed in 1967 and the power station will go into full operation in 1970. By 1972 the project will have increased Egypt's annual power capacity to about two and one half times the present level.

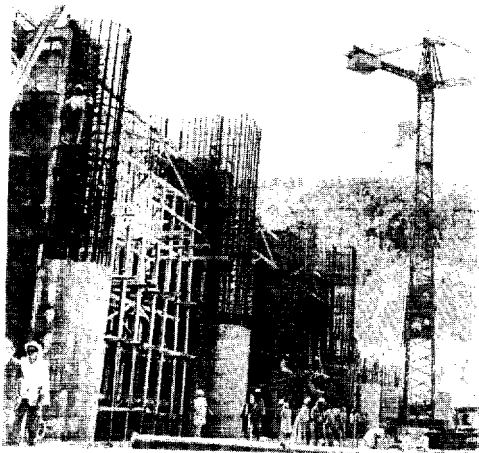
More than 1,800 Soviet engineers and technicians

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EGYPT'S ASWAN HIGH DAM

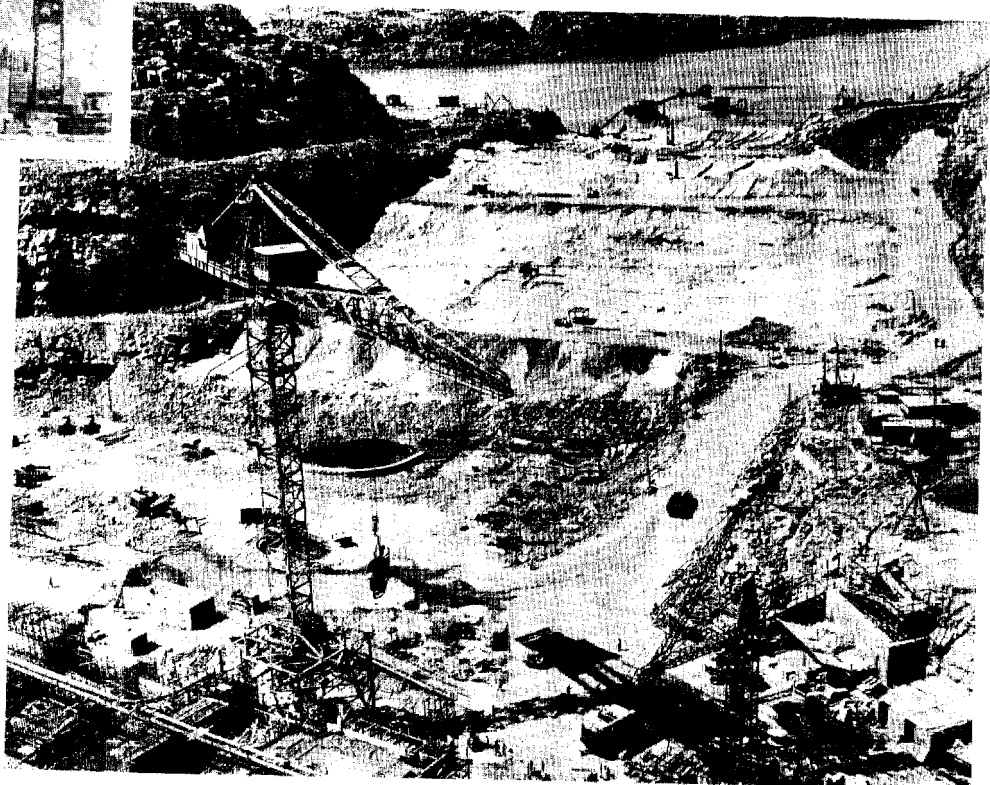


MODEL OF HIGH DAM LOOKING FROM THE AFTERBAY



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currently are employed at the site. Egyptian personnel for the dam are now training at major Soviet hydroelectric installations. The Soviets have built a large center--also to open this month--at Aswan capable of training 1,000 skilled workers annually.

Other Aid Projects

The USSR is providing substantial assistance for a variety of other industrial enterprises. The administration and coordination of Egyptian needs under the Soviet aid program are handled in Moscow by a ten-man staff from the Egyptian Five-Year Plan Organization. More than 20 projects built with Soviet aid under the terms of the 1958 industrial credit agreement now are in operation, with 15 more projects scheduled for completion in the near future.

Soviet assistance is making a substantial contribution to the development of Egypt's metallurgical, petroleum, and electric power industries. A contract signed in April provides for Soviet assistance in constructing the second section of the Helwan coking and chemical combine, doubling the present output of the plant. The coking plant, which went into operation the beginning of this year, now produces 280,000 tons of coke annually for use by the Helwan iron and steel plant. Construction has started on a rolling mill at Helwan which

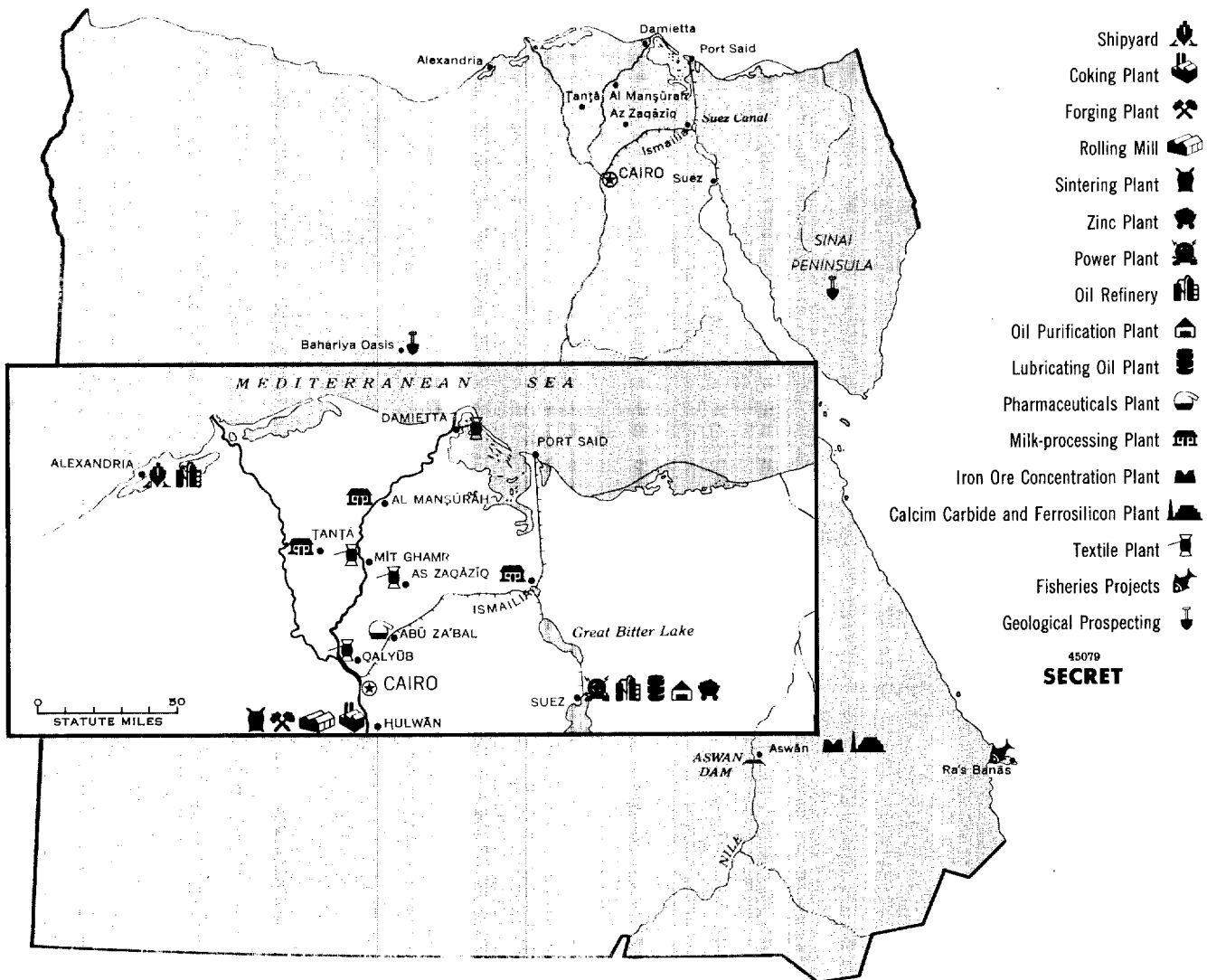
will have an initial annual capacity of 250,000 tons of rolled steel plates; eventual expansion to 750,000 tons is planned. In addition to providing Soviet oil drilling equipment and technical assistance for oil exploration, the USSR is financing the construction of a number of oil refineries.

Moscow also is participating in the construction of a large shipyard at Alexandria and factories for the production of antibiotics and pharmaceuticals, surgical instruments, aluminum cables, and machine tools. The USSR recently agreed to provide assistance for the development of Egypt's fishing industry, including the use of 10 research and fishing vessels and assistance in the development of necessary port and shore installations to support the fishing fleet.

Moscow continues to provide both academic and technical training to Egyptian personnel at Soviet institutions. In addition, the USSR has established more than 20 vocational centers in Egypt for the training of personnel in the engineering, textile, power, mining, tanning, and communications industries. Some 4,000 workers already have completed courses of instruction at these centers, and more than 5,000 currently are undergoing training.

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Selected Soviet Aid Projects in Egypt



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Military Aid

Moscow also has a substantial military aid program in Egypt--the most extensive it has undertaken in any non-Communist country. Well over \$1 billion worth of Soviet equipment and technical aid has been supplied since 1955, including land armaments, a variety of aircraft, naval ships, and such advanced Soviet weapons as surface-to-air missiles (SAMs), MIG-21 (Fishbed) jet fighters, TU-16 (Badger) jet bombers, and Komar guided-missile boats.

Soviet military shipments increased sharply last fall, reflecting deliveries under the June 1963 arms agreement, and they continue at a relatively high level. Recent deliveries include about 40 MIG-21s, bringing the total number of these aircraft in Egyptian hands to just over 100. Many of the shipments have included equipment for Egypt's SAM system, which now consists of around a dozen firing sites but is not yet operational. Land armaments continue to be supplied and additional naval ships and aircraft--including some all-weather MIG-21s and MI-6 (Hook) helicopters--are believed to be on order.

The precise number of Soviet military advisers and

technicians in Egypt is not known, but it is estimated at 500 to 1,000. An estimated 3,500 Egyptian military personnel have received training in the bloc, and approximately 100 are believed to be there now.

Outlook for Future Soviet-Egyptian Relations

Moscow's policy toward Egypt in recent years has reflected an accommodation with Nasir as an independent political force with legitimate goals of his own and has sought to emphasize those areas of agreement rather than the political and ideological differences, which have remained intractable. Therefore, the Soviet Union has consistently supported the Arabs in their opposition to Israel and has played on their anti-colonial instincts. While still occasionally criticizing Nasir's Arab socialism and the treatment of Egyptian Communists, Moscow shows no willingness to engage in another propaganda war with Nasir over these issues. Moscow's role in Yemen appears to be largely to support Egyptian ambitions, and even the recently extended Soviet credits to the Yemeni regime do not appear in any way intended to diminish the predominant Egyptian influence in that country.

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While Soviet planners in the mid-1950s may have hoped that Nasir would be far more malleable than he has proved to be, Moscow has still gained immensely through its relations with Egypt. It was Nasir's ambition that gave Moscow its opportunity to establish a presence in the Middle East, and while this same ambition has restricted the growth of Soviet influence, Soviet prestige has grown immeasurably in the area.

Moreover, the prestige derived from support for Egypt extends far beyond the Arab world. Moscow has rejected frequent Chinese Communist challenges concerning its support of such nationalist leaders as Nasir and Nehru, and has demonstrated that it considers the political influence and prestige it has gained more important than Peiping's nebulous and flamboyant calls for world revolution.

Khrushchev's trip to Egypt provides a unique opportunity

to counter the effects of Chou En-lai's recent visit to Africa. Moscow is increasingly concerned about Chinese overtures to the underdeveloped countries, and the Aswan Dam ceremonies give Khrushchev an occasion to contrast Soviet deeds with Chinese words.

As a demonstration of Soviet technical and managerial skill, the Aswan Dam is indeed an impressive project. It is an equally striking demonstration of Soviet policy toward the underdeveloped world, as well as a manifestation to the leaders of the lesser developed countries of the benefits of cooperation with the USSR. While the Soviet Union recognizes that its power in the Middle East is limited by Nasir's policies for the short term, it continues to believe that cooperation with his regime offers long-term gains in political influence and prestige in the entire underdeveloped world. (SECRET NO FOREIGN DISSEM)

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